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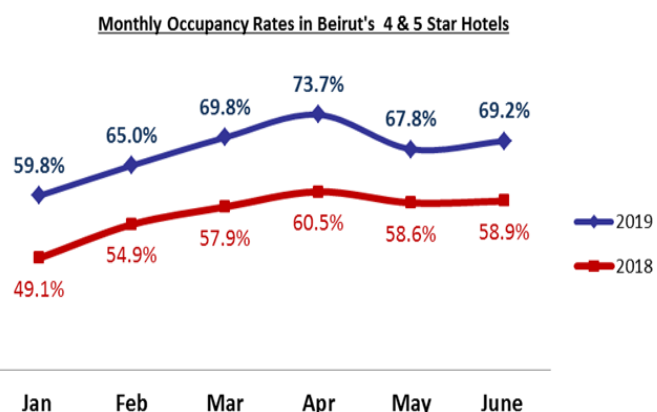
Overview

**H1 2019 carried political, economic, and social headwinds.** Lebanon faced various political, social, and economic difficulties in the first 6 months of 2019, starting with a prolonged delay in forming a government which saw the light by end Jan. 2019. Shortly after, Moody's downgraded Lebanon's rating to Caa1 which further led to a deterioration of the national fiscal metrics and highlighted the unsustainable debt dynamics and the urgency to reform.

**Nonetheless, the tourism sector remained a bright spot in the economy with the total number of tourists at highs of 2010.** Lebanon received 923,820 tourists in H1 2019, very close to 2010's total 964,067 tourists during H1, a record year for tourism in Lebanon. As per the ministry of tourism (MoT), tourist arrivals recorded an annual growth rate of 8.3% during H1 2019, compared to an annual uptick of 3.3% recorded in H1 last year. It followed that the number of airport passengers hit 3.98M passengers in H1 2019, which was 1.6 times higher than the number of passengers during the same period of 2010 according to Beirut international airport statistics.

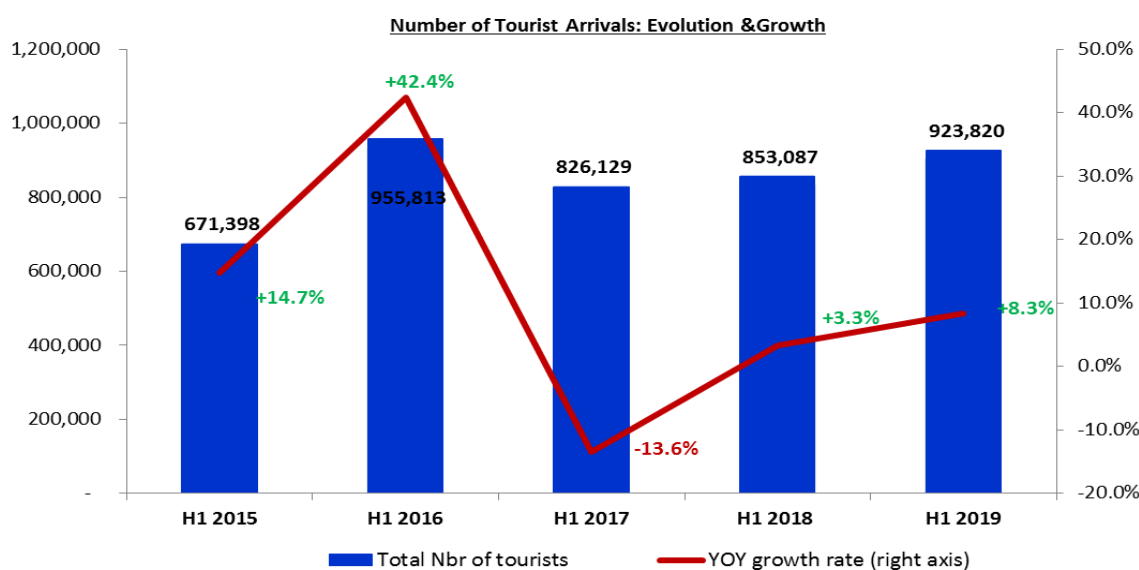
**A closer look at the sector reveals Lebanon was a "top winter destination" this year, not only a summer haven.** Each of January and February 2019 recorded the largest number of tourists witnessed in the respective months since 2007. In fact, total visitors in the two months representing the winter/ski season hit figures never seen before reaching 112,880 and 118,175 by H1 2019, up by a yearly 5.5% and 3%, respectively.

**As a result, Beirut's leading 4- and 5-star hotels witnessed record-high monthly occupancy rates comparable to 2010.** On a monthly basis, occupancy rates in each of February, March and April 2019 soared to historical highs of 70.7%, 79%, and 85.4%, exceeding 2010's rates of 76%,



68%, and 79% in the respective months. This year’s busy hotel business can be partly attributed to the February 2019 lifting of the GCC travel ban and the Easter holidays in April. On a year-to-date basis, Beirut’s Occupancy rate rose by a substantial 10.3 percentage points (pp) to 69.2% in H1 2019. As such, average room rate (ARR) and revenue per available room (REVPAR) climbed by a significant 10.5% and 29.8% since year start, to close the first half of 2019 at \$201 and \$139, respectively.

**In a nutshell, 3 main drivers supported Lebanon’s tourism activity.** End January bore a positive political jolt post-government formation. By mid-February 2019, the positive environment was further complemented by the KSA announcing its lifting of the travel ban imposed since Nov. 2017 for security reasons. As a result, the warnings issued by Saudi Arabia as well as the UAE, Bahrain, and Kuwait against traveling to Lebanon began to fade while tourist spending was reinvigorated given Arabs are the country’s largest spenders. In addition, the rigorous rain and snow during Lebanon’s winter season this 2019 translated into a “good skiing and winter sport season” in Lebanon, which is associated with more skiers, higher revenues for ski resorts across Lebanon, like Mzaar, Cedars, and Zaarour and more tourists who prefer to enjoy the Lebanese winter activities. Lastly, by May 2019, the security situation in Lebanon had remained stable while the budget was finally endorsed, which aided the advent of tourists.



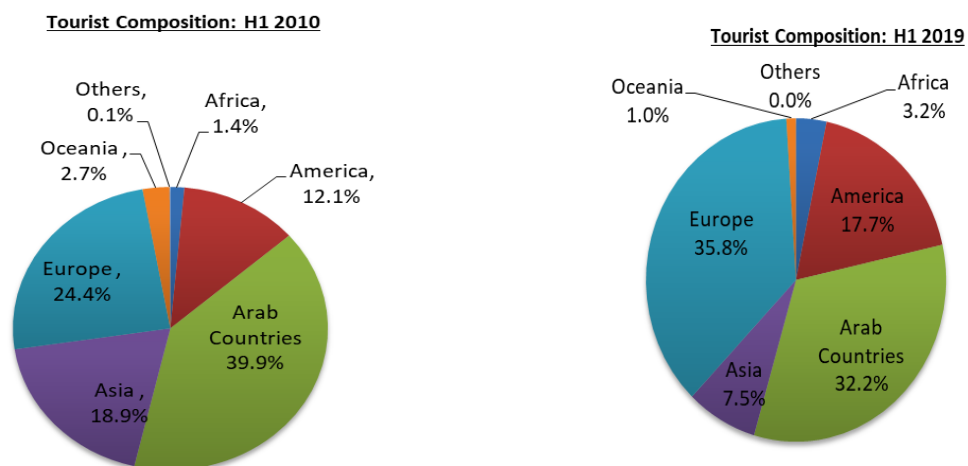
### H1 2019: Distinctive Tourism Initiatives

**The MoT launched multiple tourism initiatives to diversify tourism offerings.** By accommodating for a broader base of potential visitors, Lebanon can diversify its stream of revenues from tourism. Since May 2019, the Ministry of Tourism led by Minister Guidanian brought to the table a set of strategies to diversify the offerings of Lebanon’s tourism sector and prevent the economy’s overreliance on Arab and GCC nationals solely. The national initiatives this year began to reveal the diverse multinational tourists welcomed into the country, including Chinese and Russians, among others. Actually, the MoT’s records showed the number of tourists from Asia and America increased by 6.4% YOY and 5.5% YOY to 69,036 and 163,949,

respectively. Also reducing the “seasonality” of tourism can render Lebanon a tourist hub and reinforce cultural, religious, medical, gastronomy tourism and ecotourism to meet the different traveler preferences.

**Beirut saw its first ever double decker red Hop-on Hop-off service bus.** Under the patronage of the minister of tourism, Beirut started to operate the Hop-on Hop-off bus touring main landmarks beginning May 2019. The trademark *Hop-on Hop-off* City Sightseeing service takes Lebanon a step up to the international tourism standards, such that tourists can meet the main destinations: Martyr’s Square, Cathedral of St. Elian and St. Gregory, St. Nicolas Stairs, Raouche pigeon rock, the National Museum (inclusive bus ticket), the roman baths and St, Louis Capucins Catholic church, as well as Zaituna Bay. Recently, a “walking guided tour” was added for tourists desiring to walk around the city and discover little authentic gems. The future plan in the pipeline is to open a second bus route departing from Dbayeh, north of Beirut, heading to the enchanting caves at Jeita, the Teleferique (cable cart) up to Harissa and to the historical city of Byblos.

### Tourist Composition



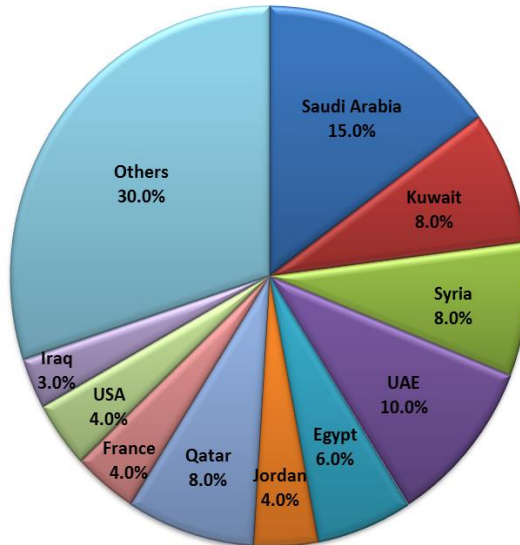
**The tourist composition in 2019 coincided with the MoT’s new diversification initiatives.** The number of Arab tourists fell since the 2011 Syrian crisis. By end November 2017, the KSA travel advisory issued against Lebanon further narrowed the share of Arab tourists of total visitors from 32% in H1 2017 to 29% in H1 2018. However, by June 2019, the Arab countries grasped a stake of 32.2%, largely owing it to a 90.8% annual rise in the number of Saudi nationals alone to reach 44,736 tourists following the ban lift. In their turn, the number of tourist arrivals from Kuwait, the UAE, Egypt, and Iraq also climbed by a yearly 44.6%, 28.4%, 19.9% and 4.2% to 23,420 tourists, 886 visitors, 49,462 visitors and 101,637, respectively, over the period.

**The growing tranche of European tourists further supported tourism activity in H1 2019.** The number of Europeans arriving to Lebanon grew by a substantial 10.3% YoY to 330,928 which constituted the highest historical figure for the country in H1, exceeding the 235,624 European tourists in H1 2010. In details, most European tourists this H1 were French, German, British, and Swedish. While French tourists climbed by

7.4%YOY to 82,755, German visitors grew by 8.6%YOY to 44,757 and British tourists added 7.6% YOY to 34,122 over the period. As for the number of Swedish visitors, it rose by a yearly 6.2% to reach 20,091 by June 2019. As such, the MoT's efforts came right on time, with Lebanon beginning to cater and adapt to the new composition of tourists.

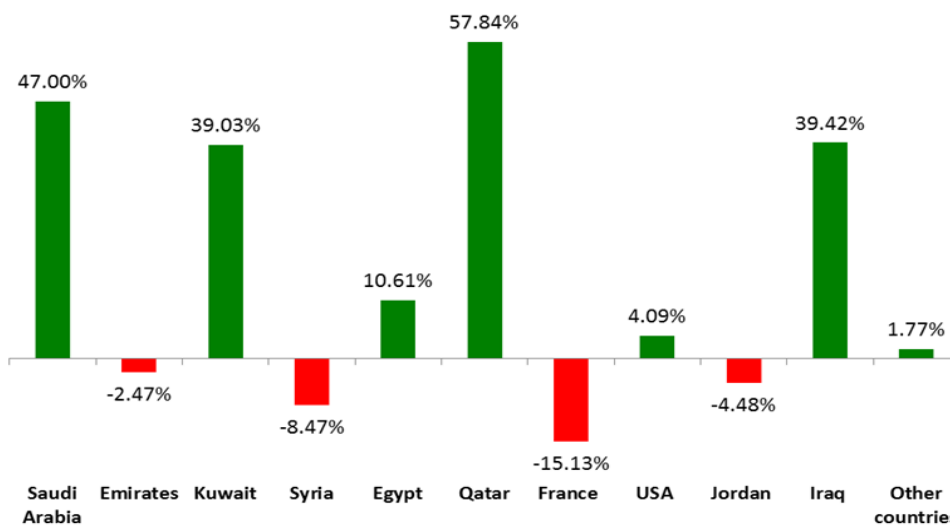
### Tourist Spending

Composition of Tourist Spending in H1 2019



**GCC nationals are still the number one spenders in Lebanon.** Despite the shift in tourism composition, tourists from the GCCs grasped a total share of 31% of total spending in H1 2019 as per Global Blue's "Globe Shopper Spending Insights in Lebanon" report. While total tourist spending in Lebanon grew by 11.53% YOY and the number of total refund transactions added 5.8% YOY, the spending by most Arab tourists ticked up, as depicted in the graph below.

Year-to-date Spending Evolution by Nationality



**Tourists spent most on "fashion and clothing"**. This last grasped a share of 66% of the total, followed by 20% for Watches and jewelry, noting that spending on "fashion and clothing" and "watches and jewelry" registered annual upticks of 12.25% and 17.08% in H1 2019.

**Spending in H1 2019 included not only tourism in Beirut but also across Lebanon.** The MoT's "all year long" tourism in Lebanon initiative may have contributed to the increased spending witnessed in areas all over Lebanon, noting that spending in "Beirut" climbed by 14.6% YOY, while tourist spending in "Other (new) Areas" besides Keserwan, Baabda, and Metn rose by a good 15.4%.

### **Future Outlook**

**The performance of the tourism sector in H1 2019 was remarkable, but its potential remains capped.** Lebanon's tourism potential is high, but the underdeveloped infrastructure in the country limits the sector's development. For instance, a larger airport, wider roads and an efficient public transportation network may tie together the historical heritage in the main cities of Baalbeck, Tripoli, Tyre, and Byblos among others.

**The national authorities must make it a priority to invest in the local infrastructure.** Lebanon has the capacity to compete with Egypt on the tourism front. Prioritizing key infrastructure projects may partly ensure that the country can absorb larger numbers of tourists without weighing down on the public networks. Visitors will be encouraged to visit more sites across the country.

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